

January 27, 2011

Via Electronic Filing

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Notice of *Ex Parte* Presentation In the Matter of Connect America
Fund WC Docket No. 10-90; A National Broadband Plan for Our
Future GN Docket No. 09-51; and High-Cost Universal Service
Support WC Docket No. 05-337**

Dear Ms. Dortch:

On January 26, 2011, the undersigned, on behalf of the Rural Broadband Alliance (RBA) and Home Telephone Company, Inc. and Ben Spearman on behalf of PBT Telecom, met via a telephone conference call with Angela Kronenberg, Legal Advisor to Commissioner Clyburn to discuss matters related to the above-referenced docket.

We acknowledged our understanding of the need to move forward with changes in the Universal Service Fund and intercarrier compensation in order to ensure that cost recovery mechanism are better aligned with the provision of broadband network capability, consistent with the Commission's objectives. We recognized that continued reliance on access charges for cost recovery in a broadband world where 2-way voice service becomes an application on the broadband network is problematic.

Notwithstanding our expressed understanding and support for rational changes in cost recovery mechanisms necessary to support universal broadband deployment, we noted the fact that proposed and pending changes have created uncertainty with regard to whether rural carriers will continue to have a meaningful and realistic opportunity to recover both existing and needed investment in network infrastructure in high cost to serve rural areas.

The uncertainty and resulting lack of predictability of sufficient mechanisms to support universal service costs is, in turn, leading to potential reduced network infrastructure investment and job loss at a time when national emphasis is focused on policies that stimulate infrastructure investment, job creation and economic development.

In order to alleviate the uncertainty and resulting consequences, we suggested consistent with prior concerns addressed by the RBA that the Commission in its upcoming NPRM address this issue by clarifying that the adoption of new rules will be

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prospective and will not jeopardize recovery of existing network investment made by rural incumbent rate of return regulated carriers.

With regard to the impact of uncertainty on future network investment by rural rate of return carriers, we suggested that the NPRM clearly address the level of broadband network functionality that will be subject to universal service fund support in the near term to ensure that rural rate of return carriers will be provided clear guidance from the Commission with regard to the determination of the level of infrastructure investment they can prudently undertake with a reasonable assurance of an opportunity to recover the investment and related costs.

In addition to discussion related to recovery of past and current investment pending new rules, we further suggested that the NPRM should address several specific issues and seek input from all interested parties with respect to how these issues should be resolved in a manner that ensures that all Americans have access to robust, high-speed broadband connectivity.

In this regard, we suggested that the following specific questions should be considered and included in the forthcoming NPRM:

1. How should proposed rule changes address the commitment made in Section 254 of the Communications Act to Americans residing in rural areas:

“consumers in all regions of the Nation, including low-income consumer and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas ...”

Specifically what process should be adopted to review the definition of universal service, to define the level of broadband functionality to be included in the universal service definition, and how often should such a review be conducted?

2. What additional obligations should be placed on recipients of USF with respect to the distribution of USF targeted to the provision of broadband connectivity?
3. What bottlenecks may exist in a broadband network that could require regulatory oversight?

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4. What impact does the continued decline in intercarrier compensation minutes of use and revenues as well as continued loss of basic voice-service access line have on rural rate of return carriers ability to maintain and operate existing networks?
5. How can the Commission ensure that universal service funding is equitably distributed in rural incumbent rate of return service areas when some population density is sometimes concentrated in small pockets of the rural area where competitive choice may be available, but the rate of return carrier has carrier of last resort obligations to consumers located in the larger less densely populated part of the service area where the cost to provide service is too high to attract competitive entry?
6. How should the Commission equitably distribute universal service funding if it determines that the sustainable level of the fund is insufficient to support the total needed to fully deploy broadband in accordance with universal service objectives.

I am filing this letter electronically with your office for inclusion in the record of each of the above-referenced proceedings pursuant to section 1.1206 of the Commission's Rules. If you have any questions, please do not hesitate to contact me at 843-761-9100.

Sincerely,

s/ Keith Oliver
Senior Vice President,
Corporate Operations
Home Telephone Company, Inc.

cc: Angela Kronenberg